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Sanitized Copy Approved for
Release 2012/06/22 :
CIA-RDP85T00875R00150014
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CIA / OER EIW 73-5-3 25X1
Secret



Economic Intelligence Weekly

Secret

CIA No. 7428
3 May 1973

Copy No. 162

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Note: Comments and queries on the contents of this publication are welcomed.

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SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****India Announces, Then Denies, Plans
for Large-Scale Grain Imports**

A firm denial by Mrs. Gandhi followed an announcement this week by a cabinet member that India planned to import 6 million to 7 million tons of foodgrains "during the next several months." Some government action soon on more foodgrain imports seems likely, however. Government stocks are depleted and farmers are refusing to sell the current wheat harvest at the government's low procurement price. The announcement of planned large-scale imports most likely was intended to relax tensions among consumers and to discourage hoarding, speculative buying, and food riots.

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EC Aims at Creation of Larger, More Competitive Firms

Concern over US dominance of the European market for high-technology goods – particularly computers and airframes – is one of the factors behind the EC Commission's proposals for a common industrial policy currently under discussion. The proposal will call for the establishment of a legal framework to facilitate the creation of larger, more competitive trans-national EC firms and to encourage cooperation in key high-technology industries. The Commission probably will not present its draft to the EC Council of Ministers until June, and satisfying all the special interests involved will make approval and implementation of specific measures a long and formidable task.

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Peruvian Cabinet Votes to Nationalize the Fishing Industry

The nationalization decree, to be published in mid-May, is expected to include both fishing companies and fishmeal processors, a number of which are foreign-owned. Many of the smaller Peruvian-owned companies have become heavily indebted to the government because of the continuing anchovy shortage, and their poor financial condition is being used to justify the takeover. US-owned processors, including General Mills, Cargill, and International Protein, supply between 15% and 20% of Peru's fishmeal output. It is not yet known whether compensation will be paid.

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US Firm May Be the First Western Company to Invest in Hungary

The Atlantic Company is one of three Western firms being considered by Hungary as a partner in a plant that is to produce salami for export. The proposed facility will cost an estimated \$80 million, with 49% of the capital to be provided by the Western partner. If the deal is consummated, it would mark the first direct Western investment in Hungary since Budapest approved the enabling legislation in October 1972.

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China Asking Higher Prices at the Canton Fair

Businessmen attending the month-long fair, which opened on 15 April, have been confronted with sharp price increases for Chinese goods ranging from 15% to 300% over levels at the fall fair. This is the second substantial increase within six months, as prices on some goods at the 1972 fall fair were increased by as much as 30%.

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SECRET**Articles****Japan Arranges Long-Term Oil Supplies**

Tokyo is moving aggressively to tie up long-term oil and gas supplies in the Persian Gulf and elsewhere. Japan's oil consumption will more than double during 1973-80 to about 11 million barrels per day, almost all of which will have to be imported. The Japanese have already acquired producing concessions or have signed supply contracts promising crude oil deliveries of at least 1.2 million barrels per day by 1980. Negotiations are now under way that, if successful, would assure that something like one-fifth of 1980 requirements are covered.

Uncomfortable about depending heavily on US and West European oil companies for oil supplies, Tokyo increasingly has been dealing directly with producing countries. Japan first concentrated on developing new reserves, but little progress has been made since the most promising concessions already are held by other companies. Tokyo has since shifted its emphasis to buying oil and liquefied natural gas from producing countries under long-term contracts.

The Japanese government is strongly supporting these efforts with money and diplomacy, and several large deals have already been made with Persian Gulf countries and Indonesia. For example, Tokyo is providing large-scale financial support to the Japanese consortium that purchased 45% of British Petroleum's holdings in the Abu Dhabi Marine Areas for some \$780 million. In return for a \$200 million government loan, Indonesia has agreed to deliver 100,000 barrels of crude per day for 10 years.

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In addition, Japanese firms have bought into a few concessions already held by the major oil companies.

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WORLD GRAIN
MILLION TONS

PRODUCTION

		911	884	936	
	1971/72	72/73	73/74 PROJECTED		
	588	576	605		FEEDGRAINS*
	323	308	331		WHEAT

EXPORTS

		122	121	
	1971/72	72/73	73/74 PROJECTED	
	99	53	58	FEEDGRAINS*
	47	69	63	WHEAT

STOCKS**
(June 30)

		131	104	
	1971/72	72/73	73/74 PROJECTED	
	82	74	N.A.	FEEDGRAINS*
	49	30	31	WHEAT

NOTE: 1 July-30 June
*Including corn, barley, oats, and rye.
**United States, Canada, Australia, and Argentina.

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Record World Grain Output Forecast for 1973/74

International grain prices in 1973/74 probably will not fall substantially, although the USDA forecasts a record world grain crop. Last year, output fell while demand increased and stocks consequently went down - in the case of wheat, stocks dropped by nearly 20 million tons to their lowest level in 20 years. This year, assuming normal growing conditions, output is expected to be about equal to current demand - wheat output is projected to go up 7.5% and feedgrains by 5%. The market, however, will remain tight:

- In spite of an expected drop in import demand, wheat output will barely cover needs, with stocks already at low levels.
- Export demand for feedgrains will continue to rise, spurred by the rapidly growing world demand for meat.

Key factors that could substantially change the supply and demand situation for grain in the coming year but for which a high degree of uncertainty currently exists include:

- The extent of import demand for wheat and corn by the USSR and the PRC.
- A further boost in availabilities of protein meals for livestock, following record levels of output in the past two years.
- The possible worsening of the food situation in South and Southeast Asia.
- The impact current adverse planting conditions may have on areas seeded to wheat in Canada and to corn in the United States this spring.

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